

VZCZCXRO6833
OO RUEHDBU RUEHFL RUEHKW RUEHLA RUEHROV
DE RUEHPG #0718 1661610
ZNY SSSSS ZZH
O 151610Z JUN 07
FM AMEMBASSY PRAGUE
TO RUEHC/SECSTATE WASHDC IMMEDIATE 9243
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE PRIORITY
RUEHCV/AMEMBASSY CARACAS PRIORITY 0021
RUEKJCS/SECDEF WASHDC PRIORITY
RUEHNO/USMISSION USNATO PRIORITY 1889
RHEHNSC/NSC WASHDC PRIORITY
RUEKJCS/JOINT STAFF WASHDC PRIORITY
RUEAIIA/CIA WASHDC PRIORITY

S E C R E T PRAGUE 000718

SIPDIS

SIPDIS

E.O. 12958: DECL: 06/14/2017
TAGS: [PREL](#) [PGOV](#) [MASS](#) [MARR](#) [EZ](#) [VE](#)
SUBJECT: CZECH MFA GIVES IN ON LICENSING OF L-39 TRAINING
IN VENEZUELA

REF: A. PRAGUE 645

- [1](#)B. PRAGUE 569
- [1](#)C. PRAGUE 646
- [1](#)D. STATE 62690
- [1](#)E. IIR 6 824 0134 07

Classified By: Acting DCM Michael Dodman for reasons 1.4 (b) and (d)

[1](#)1. (S) Summary: The Czech MFA has abandoned its rearguard action to prevent Aero Vodochody from going ahead with an L-39 subsonic fighter lease and training package for Venezuela. This paves the way for the Ministry of Industry and Trade to issue the required license. MFA officials expect that the next stages of the planned deal (involving development of a fighter for Venezuela) will not go forward, and that the Czech firm already understands this. Sikorsky's relationship with Aero Vodochody is an important element in the firm's calculations. End summary.

[1](#)2. (S) Poloff met with Czech MFA CFSP Director Vaclav Balek June 15 and learned that, in the past few days, the MFA has abandoned its attempt to prevent Aero Vodochody from leasing L-39 subsonic fighters to Venezuela for training. Balek said Aero Vodochody had carefully written the contract to comply with all the MFA's pre-existing conditions that there be no technology transfer to Venezuela and that aircraft not remain in Venezuela at the end of the contract. The MFA has no legal grounds to object to the lease. (Note: Other information had indicated Venezuelan pilots would train on the L-39 aircraft in Ukraine. Balek clarified that Aero Vodochody is sourcing the planes in Ukraine but will do the training in Venezuela and will send Czech maintenance personnel there. End note)

[1](#)3. (S) Balek had recently met again with representatives of Aero Vodochody, who explicitly stated this deal would be abandoned if it had the potential to interfere with the existing relationship between Aero Vodochody and U.S. manufacturer Sikorsky. Aero executives report that 50 per cent of their revenues come from Sikorsky contracts.

[1](#)4. (S) Balek theorized that the Venezuelan government was not particularly interested in the 30-40 year old L-39 itself, but saw this lease as a stepping stone to the second and third stages of a plan which would involve development and delivery to Caracas of a version of the L-159 without U.S. content. He thought that Aero Vodochody executives were well aware the Czech Government would not license technology transfer to Venezuela for the later stages of the plan, and Aero Vodochody's management is making an opportunistic grab for a quick profit from this lease, portraying it to the

Venezuelans as a longer term project but careful to only contract for the training stage on the L-39.

15. (S) Comment: Sikorsky remains Aero Vodochody's Achilles heel. Word from Sikorsky to Aero Vodochody management that any of the Venezuela projects currently on the table could damage their existing business partnership may be the best way to stop the L-39 lease and decisively kill the L-159 projects (ref C). Washington agencies may wish to consider approaching Sikorsky management to discuss. End comment.
GRABER